MINISTRY OF PARKS, CULTURE AND SPORT

COMMERCIAL REVOLVING FUND

FINANCIAL STATEMENTS

For the Year Ended March 31, 2016

PROVINCIAL AUDITOR
of Saskatchewan

INDEPENDENT AUDITOR'S REPORT

To: The Members of the Legislative Assembly of Saskatchewan

I have audited the accompanying financial statements of the Commercial Revolving Fund, which comprise the statement of financial position as at March 31, 2016, and the statement of operations and accumulated operating surplus, and statement of changes in the accumulated net recovery for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards for Treasury Board's approval, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Commercial Revolving Fund as at March 31, 2016, and results of its operations and changes in its net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Judy Ferguson

Regina, Saskatchewan
July 22, 2016

Judy Ferguson, FCPA, FCA
Provincial Auditor

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COMMERCIAL REVOLVING FUND
STATEMENT OF FINANCIAL POSITION
As at March 31

	2016	2015
Financial Assets:		
Accounts receivable (Note 8)	$ 714,933	$ 3,363,645
Due from General Revenue Fund	2,191,432	1,461,860
Inventories for resale	131,436	150,515
Accumulated net recovery (Statement 3)	133,362	4,223,308
TOTAL FINANCIAL ASSETS	3,171,163	9,199,328
Liabilities:		
Accounts payable and accrued liabilities	1,948,960	1,809,685
Deferred revenue	1,716,784	7,701,645
TOTAL LIABILITIES	3,665,744	9,511,330
Net Debt	(494,581)	(312,002)
Non-Financial Assets:		
Prepaid expenses	26,152	19,751
Inventories held for consumption	1,156,298	1,049,375
TOTAL NON-FINANCIAL ASSETS	1,182,450	1,069,126
Accumulated operating surplus (Statement 2 and Note 4)	**$ 687,869**	**$ 757,124**

See accompanying notes to the financial statements

COMMERCIAL REVOLVING FUND
STATEMENT OF OPERATIONS AND ACCUMULATED OPERATING SURPLUS
For the Year Ended March 31

	2016		2015
	Budget (Note 7)	Actual	Actual
Revenues:			
Camping	$ 9,646,000	$ 9,519,250	$ 9,423,110
Cottage leases	2,370,000	2,485,576	2,388,112
Park entry	2,600,000	2,596,925	2,424,999
Resource management	870,000	831,075	826,506
Commercial leases	400,000	448,344	475,213
Swimming & accommodation	230,000	226,809	202,039
Facility rental income	160,000	170,918	181,151
Interest revenue	20,000	24,299	13,734
Other	420,000	636,385	760,858
	16,716,000	16,939,581	16,695,722
Expenses:			
Salaries and benefits	15,050,000	15,248,838	14,921,609
Contractual services	6,430,000	6,522,330	5,827,925
Supplies and service expenses	2,964,000	3,209,435	2,924,773
Travel and business expenses	1,554,000	1,499,991	1,427,749
Communication expenses	290,000	209,728	186,100
Equipment	400,000	459,329	567,320
Bad debt	—	(82,990)	28,892
Bank Charges	300,000	158,830	257,141
Other	—	55,344	20,650
	26,988,000	27,280,835	26,162,159
Loss from operations	(10,272,000)	(10,341,254)	(9,466,437)
Subsidy from General Revenue Fund	10,272,000	10,271,999	10,096,629
Annual (deficit) surplus (Statement 3)	$ 0	$ (69,255)	$ 630,192
Accumulated operating surplus, beginning of year		757,124	126,932
Accumulated operating surplus, end of year (Statement 1)		**$ 687,869**	**$ 757,124**

See accompanying notes to the financial statements

COMMERCIAL REVOLVING FUND
STATEMENT OF CHANGES IN ACCUMULATED NET RECOVERY
For the Year Ended March 31

	2016	2015
Financing provided by operating activities:		
Annual (deficit) surplus (Statement 2)	$ (69,255)	$ 630,192
Net decrease in working capital items related to operations (Note 5)	(4,020,691)	(1,401,418)
Net increase in financing requirement	(4,089,946)	(771,226)
Accumulated net recovery, beginning of year	4,223,308	4,994,534
Accumulated net recovery, end of year (Statement 1)	**$ 133,362**	**$ 4,223,308**

See accompanying notes to the financial statements

COMMERCIAL REVOLVING FUND
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2016

1. Authority and Definition of Reporting Entity

The Commercial Revolving Fund (Revolving Fund) operates under the authority of Section 18 of *The Natural Resources Act*. The purpose of the Revolving Fund is to conduct commercial activities required for the promotion, development, and management of provincial parks.

Pursuant to Order in Council 900/07, the Ministry of Parks, Culture and Sport (PCS) is responsible for the Revolving Fund effective November 21, 2007.

The Revolving Fund financial statements have been prepared by management and the integrity and objectivity of these statements, the accompanying schedules and the notes to the financial statements are management's responsibility. Preparation of the financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect reported amounts presented. Estimates and assumptions are based on management's judgement for transactions that can't be finalized with certainty until future periods. Management is also responsible for implementing and maintaining a system of internal controls to ensure the reliability and accuracy of the financial information.

2. Significant Accounting Policies

Pursuant to standards established by the Public Sector Accounting Board and published by CPA Canada, the Revolving Fund is classified as an other government organization. These financial statements are prepared in accordance with Canadian public sector accounting standards. These statements do not present a Statement of Cash Flows as this information is readily apparent from the Statement of Changes in Accumulated Net Recovery and Note 5. These statements also do not present a Statement of Changes in Net Debt as this information is readily apparent from the Statement of Financial Position. A statement of remeasurement gains and losses has been omitted as there were no relevant transactions to report. The following accounting policies are considered significant.

a) Accounts Receivable

Accounts Receivable consists of receivables for oil, gas, cottage and commercial leases net of Allowance for Doubtful Accounts.

b) Inventories

Resale inventory consists of maps, wildlife manuals, pins, and other miscellaneous items that are valued at the lower of cost and net realizable value.

c) Deferred revenue

Deferred revenue consists of payments on reservations and leases made in advance.

d) Accumulated Net Recovery

Expenditures of the Revolving Fund are made directly out of the General Revenue Fund (GRF) and receipts are deposited into the GRF. The excess of accumulated receipts over accumulated expenditures is the accumulated net recovery.

The accumulated net recovery of the Revolving Fund includes the aggregate of net financing requirements for all fiscal years resulting from the Revolving Fund's changes in working capital and net cash flow from operations.

e) Revenue Recognition

Revenues, other than lease revenues, are recognized when permits are issued and/or services are provided. Lease revenues are recognized when lease payments are due.

f) Subsidy from General Revenue Fund

The subsidy from the General Revenue Fund is recognized when received or receivable.

g) Non-Financial Assets

Inventory held for consumption is recorded at cost and is expensed in the year it is consumed.

Non-financial assets are recorded as assets by the Revolving Fund because they can be used to provide government services in future periods. These assets do not normally provide resources to discharge the liabilities of the government unless they are sold.

h) Net Financing Requirements

The net financing requirement is the cash flow from (to) the General Revenue Fund. It represents the total annual financing requirements resulting from net working capital changes and net cash flows from operations.

i) Estimates

These statements are prepared in conformity with Canadian public sector accounting standards. These principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities if any at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates. Differences are reflected in current operations when identified.

j) Financial Instruments

The fair value of financial assets and financial liabilities approximates their carrying value due to their immediate or short term nature.

3. Authorized Financing

Section 18(10) of *The Natural Resources Act* specifies that the maximum accumulated net expenditure, which may be outstanding at any time, will be set by order of the Lieutenant Governor in Council. A maximum amount of $4,000,000 was established by Order in Council 516/94.

4. Accumulated Surplus

Treasury Board controls the operations of the Revolving Fund, in part by monitoring the amount of its accumulated surplus (deficit). If the amount falls above or below the limit specified by Treasury Board, management is responsible to present a plan to address the excess surplus (deficit) for approval by Treasury Board. A plan may include, but is not limited to, payment of excess surpluses to, or request for additional funding from, the General Revenue Fund. Treasury Board has specified the limit for the accumulated surplus (deficit) as $350,000.

At March 31, 2016 the Revolving Fund had an accumulated operating surplus of $687,869 and management will present a plan to Treasury Board to address the excess surplus of $337,869.

5. Net Change in Working Capital Items Related to Operations

	2016	2015
Decrease (Increase) in accounts receivable & prepaid expenses	$ 2,642,311	$ (2,483,825)
(Increase) Decrease in due from General Revenue Fund	(729,572)	860,119
(Increase) Decrease in inventories	(87,844)	110,872
(Decrease) Increase in accounts payable & deferred revenue	(5,845,586)	111,416
Net decrease in working capital items related to operations	$ (4,020,691)	$ (1,401,418)

6. Related Party Transactions

These financial statements include transactions with related parties. The Revolving Fund is related to all Saskatchewan Crown agencies such as ministries, corporations, boards and commissions under the common control of the Government of Saskatchewan. Also, the Revolving Fund is related to non-Crown enterprises that the Government jointly controls or significantly influences.

Routine operating transactions with related parties are recorded at agreed upon rates and settled on normal trade terms. These transactions at year end are as follows:

Category	2016	2015
Expenses:		
Contractual services	$ 1,620,228	$ 1,556,879
Travel and business expenses	1,019,954	990,791
Supplies and service expenses	8,651	13,089
Communication expenses	7,303	12,777
Equipment	10,496	450
Bank Charges	-	47
Due from General Revenue Fund	2,191,432	1,461,860
Accounts receivable	196,500	171,796
Accounts payable and accrued liabilities	130,852	158,531

In addition, the Revolving Fund pays Provincial Sales Tax to the Saskatchewan Ministry of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of those purchases.

The Ministry of Parks, Culture and Sport is responsible for the acquisition of land for provincial parks. Therefore, land is not reflected in these financial statements. However, in accordance with *The Natural Resources Act* the Revolving Fund is credited with all rents and fees with respect to land.

In accordance with established Government policy, the Revolving Fund has not been charged with certain costs including occupancy, financing, use of tangible capital assets and certain administrative costs. These costs have been absorbed by the ministerial appropriations and therefore no provision for such costs is reflected in these financial statements.

Other transactions with related parties and amounts due to/from them are described separately in the financial statements and the notes thereto.

7. Budget

These amounts are included in the budget submitted to Treasury Board for approval. Treasury Board approves the Revolving Fund's budget annually.

8. Financial Instrument Risks

The Revolving Fund is exposed to credit risk from the potential non-payment of accounts receivable. An Allowance for Doubtful Accounts is recorded for these accounts that are considered uncollectible. The Revolving Fund has recorded an Allowance for Doubtful Accounts of $186,917 (2015 - $269,907), which has been netted with Accounts Receivable. The Revolving Fund has no significant liquidity risk or interest rate risk.

9. Commitments

The Revolving Fund has no commitments to report as the Ministry of Parks, Culture and Sport is responsible for contracts with external parties.